

## Message Text

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PAGE 01 ROME 07646 261947Z

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ACTION EUR-12

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USDOCOSOUTH FOR INTAF

E.O. 11652: DECONTROL AFTER ONE YEAR  
TAGS: ELAB, EGEN, IT  
SUBJECT: ECONOMIC FACTORS BEHIND STALLED METAL WORKERS  
NEGOTIATIONS

REF: ROME'S 6348, 6377

1. DESPITE NEGOTIATIONS THROUGHOUT THE WEEKEND, INCLUDING SUNDAY,  
CONTRACT TALKS BETWEEN THE UNIFIED METAL WORKERS UNION FLM AND THE  
METAL FABRICATING ASSOCIATION FEDERMECANICA ARE STILL UNDERWAY.  
THE FLM IS RESISTING A SETTLEMENT ON THE SAME BASES AS THE CHEMICAL  
AND CONSTRUCTION WORKERS (SEE REFTELS). THEY OBJECT IN PARTICULAR  
TO THE TWO STEP PHASING OF SALARY INCREASES AND TO AN EMPLOYER REQUES  
T

TO SUSPEND "ARTICULATED BARGAINING" FACTORY LEVEL CONTRACTS. OTHER  
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POINTS OF DISAGREEMENT INCLUDE A UNION DEMAND THAT SHIFT WORKERS

RECEIVE A ONE HALF HOUR PAID LUNCH BREAK AND THAT THE WORK WEEK FOR FOUNDRY WORKERS BE REDUCED TO THIRTY-NINE HOURS.

2. FOLLOWING THE SESSION ON SUNDAY APRIL 25, FEDERMECANIA INDICATED IT IS PREPARED TO GRANT A NON PHASED WAGE INCREASE IF THE FLM DROPS ITS WAGE DEMAND FROM 30 TO 23,000 LIRE PER MONTH. THE INCREASE WOULD, UNLIKE THE CHEMICAL WORKERS RAISE, BE INCLUDED IN COMPENSATION PAID TO WORKERS ON SICK LEAVE. IN RETURN FOR THIS CONCESSION THE FLM IS PREPARED TO COMBAT THE PROBLEM OF ABSENTEEISM " ON ITS INITIATIVE", THAT IS WITHOUT MANAGEMENT SUPERVISION OR CONTROL.

3. PRIME MINISTER MORO'S ECONOMIC ADVISOR NINO ANDREATTA AND MINISTER OF INDUSTRY CARLO DONAT-CATTIN HAVE PUBLICLY OBSERVED THAT IN 1976 UK WORKERS WILL EARN AN ADDITIONAL 36,000 LIRE PER MONTH. ITALIAN WORKERS IN THE CHEMICAL, CONSTRUCTION AND OTHER SECTORS HAVE BEEN SETTLING FOR 35,000 LIRE TO BE PAID IN TWO INCREMENTS. IT IS EXPECTED IN ADDITION THAT DUE TO THE OPERATION OF THE COST OF LIVING (COL) ESCALATOR THEY WILL GAIN ANOTHER 38 TO 50,000 LIRE PER MONTH BY THE END OF THE YEAR. SINCE THE EFFECT OF THE COL WAGE ESCALATOR AND THE NEGOTIATED CONTRACT RAISES WOULD BE FOR ITALIAN WORKERS TO OBTAIN TWICE THE INCREASE OF UK WORKERS, DONAT-CATTIN EMPHASIZED THE NEED TO RESTRICT THE CONTINUING RISE IN UNIT LABOR COSTS. ASIDE FROM THE POSSIBILITY OF TEMPORARILY SUSPENDING THE COL WAGE ESCALATOR, OTHER WAYS TO INCREASE ITALIAN PRODUCTIVITY COULD INVOLVE REDUCING ABSENTEEISM, ADJUSTING HOLIDAY SCHEDULES SO THAT THEY FALL ON WEEKENDS, INCREASING LABOR MOBILITY AND BETTER UTILIZATION OF SHIFT WORK. THE METAL WORKERS HAVE REPLIED THAT THEY ARE NOT OPPOSED TO SUCH SACRIFICES PROVIDED THERE IS AN EQUITABLE DISTRIBUTION OF ITALY'S ECONOMIC BURDEN.

4. THE PRESIDENT OF THE ITALIAN MANUFACTURERS ASSOCIATION, CONFINDUSTRIA (AND CHAIRMAN OF THE FIAT BOARD) GIOVANNI AGNELLI DECLARED PUBLICLY EARLIER THIS MONTH THAT "NO SALARY INCREASE IS COMPATIBLE WITH THE ITALIAN ECONOMIC SITUATION WHEN IT IS FEARED THAT IN 1976 OUR INFLATION RATE WILL BE THREE TIMES THE AVERAGE OF OTHER MEMBER COUNTRIES OF THE EUROPEAN COMMUNITY". AGNELLI EXPLAINED THAT WHILE IT IS EXPECTED THAT THE AVERAGE INFLATION RATE THIS YEAR IN GERMANY, FRANCE AND THE UK WILL BE AROUND SEVEN PERCENT, "WITH THE CONTRACTS WHICH HAVE ALREADY BEEN SIGNED IT WILL BE TWENTY

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PERCENT IN ITALY".

5. ACCORDING TO A STUDY PREPARED BY THE BANK OF ITALY AT THE REQUEST OF PRIME MINISTER MORO, HOURLY WAGES IN ITALY INCREASED DURING

THE FIVE YEAR PERIOD 1971-1975 BY 20.5 PERCENT ON THE AVERAGE PER YEAR WHILE THE UNIT LABOR COST OF PRODUCTION INCREASED 15.2 PERCENT PER YEAR. IN FRANCE, WEST GERMANY AND THE UK THE AVERAGE ANNUAL

INCREASE

IN WAGES WAS 14.1 PERCENT AND THE UNIT LABOR COST OF PRODUCTION WENT UP 10.1 PERCENT PER YEAR. THE INCREASE IN THE UNIT LABOR COST OF PRODUCTION IN ITALY HAS THEREFORE BEEN ONE AND A HALF TIMES THAT IN COUNTRIES WITH WHICH IT COMPETES MOST CLOSELY FOR FIVE YEARS.

5. DESPITE THESE ECONOMIC CONSTRAINTS, LEADERS OF THE UNIFIED METAL WORKERS CATEGORY UNION FLM ACCUSED THE FEDERATION CGIL-CISL-UIL (CCU) OF A "SELL OUT" FOLLOWING THE CONCLUSION OF THE CHEMICAL AND CONSTRUCTION WORKERS CONTRACTS. THE DIFFICULTY RESULTS FROM THE FACT THAT THE RESPONSIBILITIES AND PERSPECTIVES OF THE CONFEDERAL AND CATEGORY LEADERS ARE SIGNIFICANTLY DIFFERENT. WHILE THE FORMER MUST DEAL WITH GENERAL PROBLEMS AFFECTING THE ENTIRE ITALIAN LABOR MOVEMENT AND WITH THE POLITICAL PARTIES, THE CATEGORY LEADERS ARE ACCOUNTABLE TO THEIR RANK AND FILE, WHICH SEE SALARY ADJUSTMENT AS THE MOST EFFECTIVE MEANS FOR COPING WITH THE DRAMATIC RISE IN THE COST OF LIVING. IF THE FLM LEADERS WERE TO ADMIT THAT THE SALARY GAINS OBTAINED BY THE CHEMICAL AND CONSTRUCTION WORKERS ARE INFLATIONARY AND THEREFORE NOT COMPATIBLE WITH THE RESOLUTION OF THE CURRENT ECONOMIC CRISIS, THEY WOULD RISK A VERTICAL SPLIT WITHIN THEIR ORGANIZATION AND THE POSSIBILITY THAT SOME MEMBERS MIGHT LEAVE TO FORM INDEPENDENT UNIONS.

6. COMMENT: THE METAL WORKERS CONTRACT IS GENERALLY THE ONE WHICH SETS THE TONE FOR MOST OTHER INDUSTRIAL AGREEMENTS. EMBASSY SOURCES SUGGEST THAT THE FACT THAT THE CHEMICAL AND INDUSTRIAL WORKERS SIGNED EARLIER IN THE CURRENT SERIES OF NEGOTIATIONS IS AT LEAST PARTIALLY DUE TO THE DESIRE OF THE PCI AND CGIL TO RESTRAIN METAL WORKER DEMANDS WHICH WOULD LATER PROVE EMBARRASSING. THE EXPECTATION IS THAT IF THE METAL WORKERS AGREE TO TERMS ALONG THOSE THUS FAR CONCLUDED, FURTHER NEGOTIATIONS INVOLVING UP TO SIX AND A HALF MILLION WORKERS WILL FALL INTO LINE. IF THE METAL WORKERS AND MANAGEMENT ARE UNABLE TO COME TO AGREEMENT, THEN CONTRACTS ALREADY LIMITED OFFICIAL USE

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CONCLUDED INVOLVING TWO MILLION WORKERS MAY BECOME UNSTUCK AND HAVE TO BE RE-NEGOTIATED. THE DIFFERENT INTERPRETATION GIVEN TO THE ALREADY SETTLED CONTRACTS BY THE SOCIALIST WEEKLY TEMPO ILLUSTRATO AND THE COMMUNIST DAILY L'UNITA ARE SYMPTOMATIC OF THEIR POLITICAL SIGNIFICANCE. WHILE THE FORMER REPORTS THAT 17 FACTORY COUNCILS IN MILAN HAVE SIGNED A PETITION TO REJECT THE CHEMICAL AGREEMENT, L'UNITA CLAIMS "ALMOST UNIVERSAL APPROVAL IN THE CHEMICAL FACTORIES OF MILAN". VOLPE

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